

Summary Of Obey Amendment

To Restore The Bush Administration Cuts In State Tax Deduction In The Student Financial Aid Formula

(As offered during Appropriations Committee consideration of the bill)

After taking millionaires off the tax rolls, the Bush Administration plans to collect more from students and their parents. On May 30, 2003, the Administration quietly issued a new regulation to put an additional financial squeeze on millions of college students and their families by cutting their deduction for state and local taxes in the student financial aid eligibility formula. As a result, many of these families can expect to pay more toward college expenses next year and receive less in federal financial aid.

The Obey Amendment would prevent the Bush Administration from cutting the allowances for state tax payments.

The new student aid state tax allowances published by the Department of Education will reduce the state tax percentage deduction for nearly all students - when the state and local tax burden is going up, not down for many families. The Department's new state tax rates, however, are based on outdated data from 2000. Since then, our economy has spiraled downward, and many states and local communities have had to increase taxes in order to offset budget shortfalls.

Nationwide, the Administration's regulation could result in the loss of hundreds of millions of federal assistance to students and families. The Department of Education estimates that 84,000 students would lose Pell Grant eligibility altogether as a result of the regulation.

However, because the federal student aid formula is widely used in distributing all types of aid, the Administration's proposal affects not only Pell Grants and federal student loans, but also state and institutional assistance. According to the student aid director at Knox College in Illinois, "It is one of these really technical things that has great effect...The impact will not be minimal."

The Bush regulatory changes will force parents and students to work more, go deeper into debt, and dig deeper into their own pockets. In contrast, the Obey Amendment would help to ensure that students are not denied critical financial aid at a time when they need it the most.

- ❑ Under the Bush regulation, a full-time student from a family of four with an income of \$45,000 living in Wisconsin would have to pay about \$400 more toward college expenses and their child's Pell Grant would be cut by about \$400. This student would get an estimated \$1,300 Pell Grant under the Bush regulation compared to a \$1,700 Pell Grant under this Amendment.
- ❑ Under the Bush regulation, a single parent in South Carolina with an income of \$30,000 and one child attending college would have to pay about \$260 more toward college expenses, and her child's Pell Grant would be cut about \$200. This student would get an estimated \$2,400 Pell Grant under the Bush regulation compared to a \$2,600 Pell Grant under this Amendment.
- ❑ Under the Bush regulation, a family of four living in Pennsylvania earning \$63,000 and with some limited assets, with a daughter attending college full time would have to pay about \$800 more toward college expenses. This student would not qualify for a Pell Grant, but her eligibility for low-rate, subsidized federal student loans could be reduced.
- ❑ Under the Bush regulation, a married independent student in Kentucky with an income of \$20,000, and no dependents, attending college full time would have to pay about \$100 more toward college expenses. This student would get an estimated \$600 Pell Grant under the Bush regulation compared to a \$700 Pell Grant under this Amendment.
- ❑ Under the Bush regulation, a family of four living in New Jersey with one child in college, attending full time, would have to pay about \$100 more toward college expenses. This student would get an estimated \$1,600 Pell Grant under the Bush regulation compared to a \$1,700 Pell Grant under this Amendment.
- ❑ Under the Bush regulation, a family of four living in New York with one child in college, attending full time, would have to pay about \$300 more toward college expenses. This student would

get an estimated \$1,700 Pell Grant under the Bush regulation compared to a \$2,000 Pell Grant under this Amendment.